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INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

COME-00 EB-07 LAB-04 SIL-01 TRSE-00 OMB-01 /085 W

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R 121629Z NOV 76

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E.O. 11652: N/A

TAGS: ELAB, GW, ECON, EFIN

SUBJECT: STATUS OF EMPLOYMENT EFFECT OF VARIOUS FRG

MEASURES TO REMEDY ECONOMIC RECESSION

REF: BONN 13417

SUMMARY: THE LATEST FEDERAL EMPLOYMENT SERVICE REPORT
ON EMPLOYMENT WHICH PROVIDES NEW INFORMATION ON THE
EMPLOYMENT SITUATION DURING THE FOURTH QUARTER OF 1975,
SHOWS THAT THE DOWNWARD TREND IN EMPLOYMENT CAUSED BY
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THE 1974 RECESSION IN THE FRG CONTINUED THROUGH THE END

OF 1975 WITH THE EXCEPTION OF A SMALL GAIN DURING THE THIRD QUARTER OF 1975. THUS, THE LEVEL OF EMPLOYMENT REACHED THE LOWEST LEVEL IN DECEMBER 1975 WITH AN EMPLOYMENT REDUCTION OF OVER 1.1 MILLION. THIS REPORT ALSO SHOWS THAT THERE WERE FEW SIGNS OF EMPLOYMENT IMPACT OF VARIOUS GOVERNMENT ECONOMIC MEASURES DURING THIS PERIOD AND EVEN THE SMALL GAINS IN THE CONSTRUCTION AND AUTOMOBILE INDUSTRIES LARGELY DISAPPEARED BY THE END OF THE YEAR. THE ONLY EXCEPTION WAS THE INCREASE IN EMPLOYMENT IN THE HEALTH CARE FIELD, WHICH MAY BE EXPLAINED BY THE RELATIVELY LARGE NUMBER OF PEOPLE WHO HAVE TAKEN ADVANTAGE OF LOWER RETIREMENT AGE PROVISIONS IN THE SOCIAL SECURITY LAW WITH RESULTING EXPANSION OF NURSING AND OLD AGE HOME FACILITIES AND EMPLOYMENT. ON THE OTHER HAND, THE FRG HAS HAD MORE SUCCESS IN REDUCING THE UNEMPLOYMENT EFFECTS OF THE RECESSION BY MEASURES TO REDUCE THE TOTAL LABOR FORCE. THESE MEASURES INCLUDED THE FREEZE ON HIRING OF FOREIGN WORKERS AND THE SIDE EFFECTS OF OLDER WORKERS LEAVING THE LABOR MARKET TO TAKE ADVANTAGE OF THE LOWER RETIREMENT AGE PROVISIONS OF THE 1972 SOCIAL SECURITY LEGISLATION. ALTHOUGH THE VARIOUS MANPOWER PROGRAMS INITIATED BY THE FRG DID NOT HALT THE DECLINE IN EMPLOYMENT DURING THIS PERIOD, MANY LABOR MINISTRY AND OTHER SOURCES CLAIM THAT THESE MEASURES HELPED REDUCE THE IMPACT OF THE RECESSION ON EMPLOYMENT. END SUMMARY.

1. WHAT HAVE BEEN THE EMPLOYMENT EFFECTS OF THE VARIOUS FRG MEASURES TO REMEDY THE RECENT ECONOMIC RECESSION? THE ANSWER TO THIS QUESTION CONTINUES TO REMAIN UNCLEAR BECAUSE MORE CURRENT AND DETAILED EMPLOYMENT STATISTICS ARE LACKING WITH THE TIME LAG ON REPORTS STILL BEING OVER 9 MONTHS.

2. THE THIRD REPORT IN THE NEW FEDERAL EMPLOYMENT SERVICE SERIES ON EMPLOYMENT PROVIDES SOME MORE INDICATIONS COVERING THE DEVELOPMENT FROM JUNE 1974 TO DECEMBER 1975, THUS ADDING ANOTHER QUARTER TO THE LAST REPORT (SEE REFTTEL). THIS REPORT SHOWS THAT EMPLOYMENT DROPPED SHARPLY (ABOUT 1.1 MILLION) DURING THE 15 MONTHS LIMITED OFFICIAL USE

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FROM SEPTEMBER 30, 1974 TO DECEMBER 31, 1975, WITH THE EXCEPTION OF A SLIGHT IMPROVEMENT DURING THE THIRD QUARTER OF 1975. THUS, THE EMPLOYMENT LEVEL REACHED ITS LOWEST POINT IN DECEMBER 1975 SINCE THE LAST MAJOR RECESSION IN THE LATE 60'S IN THE FRG.

3. THIS LATEST REPORT PROVIDES SOME ADDITIONAL INDICATIONS OF EMPLOYMENT IMPACT OF THE VARIOUS ECONOMIC

MEASURES IN INDIVIDUAL INDUSTRIAL DIVISIONS AND MAJOR
MANUFACTURING GROUPS.

4. IN THE CONSTRUCTION INDUSTRY, WHERE THE GOVERNMENT
INITIATED VARIOUS PROGRAMS COSTING ABOUT 5.1 BILLION
MARKS, THE PICKUP IN HIRING DURING THE THIRD QUARTER OF
1975, WHICH RESULTED IN EMPLOYMENT INCREASING ABOUT
40,000, ENDED AND EMPLOYMENT DECREASED AGAIN ABOUT
115,000 DURING THE FOURTH QUARTER TO A LEVEL LOWER
THAN THE PRVIOUS LOW POINT IN 1974.

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COME-00 EB-07 LAB-04 SIL-01 TRSE-00 OMB-01 /085 W

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R 121629Z NOV 76

FM AMEMBASSY BONN

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5. IN MANUFACTURING INDUSTRIES, WHERE VARIOUS INVESTMENT TAX INCENTIVES AND OTHER BENEFITS WERE PROVIDED IN THE 1975 TAX REFORM PACKAGE, AUTOMOBILE INDUSTRY EMPLOYMENT INCREASED ABOUT 14'000 DURING THE THIRD QUARTER OF 1975, BUT DROPPED BACK AGAIN ABOUT 11,000 DURING THE FOURTH QUARTER. OVERALL EMPLOYMENT IN THE IMPORTANT MANUFACTURING INDUSTRY GROUPS CONTINUED TO DECLINE WITH A SUBSTANTIAL DECREASE OF 223,452
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DURING THE FOURTH QUARTER OF 1975. THIS DECLINE IS ONE OF THE REASONS GERMAN TRADE UNION LEADERS BELIEVE THAT THEIR MODERATION IN THE 1976 COLLECTIVE BARGAINING ROUND AND TAX INCENTIVES HAVE PRODUCED INVESTMENT MORE IN RATIONALIZATION THAN IN JOB CREATION.

6. THE HEALTH CARE SECTOR SHOWED THE MOST SIGNIFICANT EMPLOYMENT INCREASE WITH ABOUT 35,000 MORE EMPLOYED DURING THE FOURTH QUARTER OF 1975, BRINGING THE TOTAL INCREASE TO ABOUT 60,000 SINCE SEPTEMBER 1974. THIS INCREASE IN EMPLOYMENT MAY REFLECT THE INCREASE IN OLDER PERSONS TAKING ADVANTAGE OF NEW PROVISIONS OF THE SOCIAL SECURITY LAW TO RETIRE EARLIER CREATING AN EXPANDING DEMAND FOR OLD AGE AND NURSING HOME SERVICES.

7. THE MINING AND ENERGY SECTOR ALSO SHOWED A SIGNIFICANT EMPLOYMENT INCREASE OF OVER 49,000 DURING THE LAST QUARTER OF 1975.

8. AS MORE EMPLOYMENT INFORMATION BECOMES AVAILABLE, IT APPEARS THAT FRG MEASURES TO REDUCE THE LABOR FORCE HAVE HAD MORE IMPACT ON REDUCING THE UNEMPLOYMENT EFFECTS OF THE RECESSION THAN THE VARIOUS EMPLOYMENT CREATION MEASURES. PERHAPS THE MOST DRAMATIC RESULT IS SHOWN IN THE AREA OF FREEZING THE RECRUITMENT OF FOREIGN LABOR AND REDUCING THEIR NUMBER BY ATTRITION AS THEIR EMPLOYMENT CONTRACTS EXPIRE. FOR EXAMPLE, ABOUT 399,000 OF THE 1.1 MILLION PERSONS DISMISSED FROM THEIR JOBS DURING THE PERIOD FROM SEPTEMBER 30, 1974 TO DECEMBER 31, 1975 WERE FOREIGNERS. THIS GERMAN EXPERIENCE REPRESENTS PERHAPS THE MOST SIGNIFICANT FRG INITIATIVE IN MANPOWER POLICY, WHICH MIGHT BE INSTRUCTIVE FOR US MANPOWER POLICY IN VIEW OF REPORTS THAT THE US HAS BETWEEN 8 TO 12 MILLION ILLEGAL MIGRANTS IN THE US AT THE PRESENT TIME.

9. ANOTHER FRG MEASURE, WHICH WAS PART OF THE OVERALL FRG 1969-1976 SOCIAL REFORM PROGRAM, WAS THE REDUCTION OF THE OPTIONAL RETIREMENT TO AGE 63. SINCE APPROVAL OF THIS LAW, MORE OLDER WORKERS HAVE TAKEN LIMITED OFFICIAL USE

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ADVANTAGE OF THESE PROVISIONS THAN EXPECTED. FOR EXAMPLE, OVER 83 PERCENT OF THOSE ELIGIBLE MADE USE OF THIS NEW PROGRAM. LATEST ESTIMATES SHOW THAT APPROXIMATELY 390,000 OLDER AGE PERSONS ANNUALLY ARE TAKING ADVANTAGE OF THESE NEW RETIREMENT BENEFITS. THE NET EFFECT OF THIS DEVELOPMENT IS A REDUCTION OF THE LABOR FORCE WHICH HELPS TO CUSHION THE EFFECTS OF THE RECESSION ON THE LABOR MARKET (BUT INCREASES THE GOVERNMENT'S FINANCIAL PROBLEMS ON SOCIAL SECURITY).

10. OTHER CONTINUING AND NEW MANPOWER PROGRAMS UNDER THE EMPLOYMENT CREATION LAW (ARBEITSFOERDERUNGSGESETZ) WHICH HAVE RECEIVED A TOTAL OF DM 1.6 BILLION SINCE THE END OF 1974, HAVE HELPED TO CREATE OVER 150,000 NEW JOBS. THE FEDERAL EMPLOYMENT SERVICE ESTIMATES THAT THESE PROGRAMS RESULT INDIRECTLY IN THE CREATION OF AN ADDITIONAL 50,000 JOBS AND THUS THE TOTAL EMPLOYMENT EFFECT OF THESE VARIOUS PROGRAMS AMOUNTS TO ABOUT 200,000. THESE PROGRAMS ALSO HAVE HELPED CUSHION THE IMPACT OF THE RECESSION ON THE LABOR MARKET.

11. THE FOLLOWING TABLE PROVIDES AN OVERVIEW OF CHANGES IN EMPLOYMENT BY INDUSTRY DIVISION AND MAJOR MANUFACTURING GROUPS FOR THE PERIOD SEPTEMBER 30, 1974 TO DECEMBER 31, 1975.

INDUSTRIAL GROUP	TOTAL 9/30/74	TOTAL 9/30/75	TOTAL 12/31/75
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FORESTRY	205,393	208,314	190,108
FISHING			
MINING,ENERGY	459,335	447,119	496,253
MANUFACTURING	9,227,619	8,672,743	8,449,291
CHEMICALS	656,495	634,035	621,790

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R 121629Z NOV 76

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TABLE CONT'D

INDUSTRIAL GROUP	TOTAL	TOTAL	TOTAL
	9/30/74	9/30/75	12/31/75

PLASTICS	345,012	315,748	310,584
STONE, GLASS, EARTH	433,588	396,538	362,351
STEEL	416,870	394,301	391,035
MACHINE CONSTR.	1,119,350	1,060,413	1,047,897
VEHICLE CONSTR.	981,437	941,447	930,042

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ELECTRIC.ENG. 1,159,225 1,054,266 1,028,117

TOYS,JEWELR.	501,591	459,364	444,622
WOOD WORKING	443,531	421,656	408,336
TEXTILES	414,015	379,210	362,601
CLOTHING	363,393	343,951	332,660
FOOD	761,663	745,105	725,285
CONSTRUCTION	1,829,967	1,703,015	1,588,293
BUILDING TRADES	1,358,626	1,254,764	1,176,963
FINISH. TRADES	471,341	448,251	411,330
COMMERCE	2,863,690	2,771,967	2,781,028
TRAFFIC,COMMUNIC.	1,038,677	994,182	964,337
BANKING,INSURANCE	738,421	721,911	724,568
TABLE CONT'D			
INDUSTRIAL GROUP	TOTAL	TOTAL	TOTAL
	9/30/74	9/30/75	12/31/75

SERVICES	2,956,867	3,001,331	2,998,490
RESTAUR.,HOTELS	348,398	369,615	339,253
CLEANING,PERSONAL	301,257	301,273	288,974
HYGIENE			
SCIENCE,ART,P.R.	674,979	682,912	689,546
HEALTH,VET.CARE	804,622	829,310	864,164
ORGANIZ., PRIV.	315,782	320,783	322,976
HOUSEHOLDS			
REG.PLNG.ORG.	1,307,690	1,323,320	1,314,058
SOCIAL SECURITY			
REG.PLNG.ORG.	1,149,164	1,153,599	1,149,033
SOC.SECURITY	158,526	169,721	165,025
WITHOUT SPECIFIC.	16,275	26,707	13,962

TOTAL	20,959,716	20,191,392	19,843,364
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12. ACTION REQUESTED: THE EMBASSY WOULD APPRECIATE THE DEPARTMENT PASSING THIS REPORT TO ILAB, THE NATIONAL COMMISSION FOR MANPOWER POLICY AND DR. ALFRED G. ALBERT, DEPUTY SOLICITOR, U.S. DEPARTMENT OF LABOR, WHO RECENTLY RETURNED TO THE UNITED STATES AFTER COMPLETING A ONE YEAR STUDY OF FRG AND EC LEGISLATION AND POLICIES ON THE EMPLOYMENT OF FOREIGN WORKERS. STOESEL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC RECOVERY, ECONOMIC REPORTS, EMPLOYMENT SERVICES, ECONOMIC DEPRESSIONS, ECONOMIC PROGRAMS, UNEMPLOYMENT DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 12 NOV 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BONN19247
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760423-0975
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
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Line Count: 369
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 BONN 13417
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 27 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 APR 2004 by hartledg>; APPROVED <28 JUL 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: STATUS OF EMPLOYMENT EFFECT OF VARIOUS FRG MEASURES TO REMEDY ECONOMIC RECESSION
TAGS: ELAB, ECON, EFIN, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006